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C O N F I D E N T I A L SECTION 01 OF 02 BAGHDAD 001181

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TAGS: [ENRG](#) [EPET](#) [ETRD](#) [PREL](#) [PINR](#) [CN](#) [IZ](#)
SUBJECT: CHINESE EMBASSY READOUT ON ECONOMIC ENGAGEMENT IN
IRAQ

REF: BEIJING 1374

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Classified By: Classified by: Economic Minister Counselor Charles P. Ri
es for reasons 1.4(b) and (d).

11. (C) Summary: According to Chinese Embassy Economic and Trade Counselor Hu Yaowu in Baghdad, two Chinese-Iraqi energy projects, a 1,300 MW electric power plant and an oil field development project both located in Wasit Province, are on hold pending an improvement in security conditions. The Chinese Government has not yet received official notification of or an invitation to participate in the upcoming May 29 International Compact with Iraq summit in Stockholm. Hu expects that Chinese Foreign Minister Yang Jiechi would be interested in attending should an invitation be made. In January 2008 the Chinese Government donated two X-ray machines for use on shipping containers at the Umm Qasr Port. The Iraqis are expected to purchase an additional thirty of these USD 3 million a piece devices. China and Iraq are currently negotiating a further debt-forgiveness agreement and China has trained 250 Iraqi government employees in China since 2004. Security concerns continue to limit Chinese investment interest in Iraq, though five companies have opened for business in the Kurdish Regional Government area. End summary.

12. (C) Econoff met with Chinese Embassy Economic and Trade Counselor Hu Yaowu at the Chinese Embassy in Baghdad on April 15. The meeting was held at the Chinese Embassy, in the al-Mansour Hotel. Bio notes and information about the Chinese Embassy are below.

Electricity/Oil Deals in Wasit: Waiting for Security

13. (C) Hu said that the Shanghai Electric Power Company (SEPC) has finalized its negotiations and signed a contract to build a 1,300 MW power plant near al-Zubaydiyah, Wasit Province. (Note: News reports place the value for this contract at USD 750 million, although JP Morgan contacted us to say that SEPC is preparing a letter of credit worth USD 924 million. End note) This plant will be designed to burn crude oil from the nearby Ahdab oil field that is to be developed by the China National Petroleum Company. The power plant is to be built in four stages and should take four years from start to completion. The development plan calls for Chinese engineers and managers to run the project,

utilizing local labor. The Chinese and Iraqis had been discussing the building of the power plant and the oil field development project since 1997. Contract negotiations were suspended in 2003, but finalized earlier this year. Neither of the projects has actually started due to Chinese concerns that the areas are not yet secure enough to allow their workers to come to Iraq.

ICI: China Waiting for an Invite

¶4. (C) Hu noted that the Chinese have not received any formal notification of or invitation to the upcoming May 29 International Compact with Iraq meeting in Stockholm. He was interested to know if Secretary Rice was likely to attend. Hu said that Foreign Minister Yang Jiechi would likely attend if an invitation was received.

Debt Forgiveness: Ongoing Discussions For More

¶5. (C) According to Hu, Iraq and China are engaged in discussions to further reduce the amount of debt that Iraq owes China. Hu expected that this will have a "good outcome" for Iraq soon. (Comment: We understand that there was an MOU on commercial issues that was signed concomitantly with their debt forgiveness agreement. We have been unable to obtain further details on this MOU as yet and are not sure if this agreement complies with the terms of the Paris Club Agreement. We will continue to pursue more information on this. According to ref tel, further debt forgiveness is tied to Iraqi passage of its Hydrocarbon legislation. End comment.)

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China-Donated Port Security Equipment:
Container X-Ray Equipment In Place at Umm Qasr

¶6. (C) In January 2008, China gave Iraq two large X-ray scanning machines for inspecting shipping containers to increase port security at Umm Qasr. (Note: Hu said that these machines had a "4 inch" resolution. End note.) Each of the machines is worth about USD 3 million. These container security inspection machines are installed and currently being used at the port, according to Hu. Iraq reportedly plans to purchase 30 more of these machines.

China Training Iraqi Government Officials

¶7. (C) Since 2004, China has sent a total of about 250 Iraqi government employees from the Ministries of Trade, Oil and Foreign Affairs to Beijing for training programs. These programs were conducted in English and Arabic.

Chinese Business Opportunities in Iraq

¶8. (C) Hu said that security concerns continue to be the main obstacle to increased Chinese investment and business in Iraq. He noted that five Chinese companies have opened in the Kurdish Regional Government area, one of them a joint-venture with a Norwegian company. Hu also noted that the Chinese Embassy had assisted 50 Iraqi businessmen so that they could attend the Canton Trade Fair currently underway in Guangzhou.

Life at the Chinese Embassy in Iraq

¶9. (C) The Chinese Embassy is located on the third floor of the al-Mansour Hotel, situated outside of the International Zone. Elevators on the third floor are shut down and access to the Embassy is via the stair case from the second floor. Econoff observed four different Chinese military guards. Accompanying RSOs were allowed access to the Embassy lobby area at the top of the stairs. Hu noted that security in the Embassy facilities was good, but that a bomb had gone off in the first lobby of the hotel in June 2007. Hu said that he had traveled around Iraq, with a security detail, but had not been able to travel around Baghdad due to security concerns.

BIO Notes: Hu Yaowu

¶10. (C) Hu Yaowu appears to be in his mid- to-late fifties. He is from Nanjing, but attended university in Beijing. He claims to be an employee of the Chinese Ministry of Commerce. After graduation from college he spent two years in Shanghai studying Arabic and then 4 years, in the early 1980s, studying Arabic at the University of Damascus. His wife lives in Jordan and he sees her there every 3 months. He has been here for two years and has about 4-5 months left. Prior to coming here he was in Jordan. His daughter is studying Finance at Griffiths University in Brisbane, Australia and is about to graduate. He is planning on attending the graduation. He does not speak English -- but has good, but heavily accented Arabic. His Iraqna phone number is (964) 079-0191-2304; email address is: huyaowu2002@yahoo.com.cn.

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